

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

AD/76/
A2K3
p.2

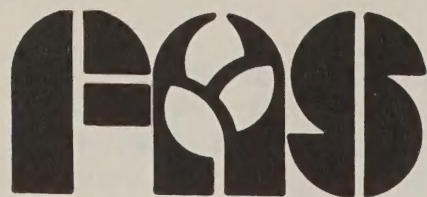
S

change already done m

title

Ex #1

12-



REPORT

United States
Department of
Agriculture

Foreign
Agricultural
Service

Washington, D.C. 20250

WEEKLY ROUNDUP OF WORLD PRODUCTION AND TRADE

WR 31-81

WASHINGTON, Aug. 5--The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following recent developments in world agriculture and trade:

GRAIN AND FEED

In the SOVIET UNION, hot, dry weather over important European USSR grain growing areas has hastened ripening and resulted in a rapid start for the 1981 small grain harvest. Recent Soviet press reports have pointed out that crops, winter and spring grains and pulses, are now ripening simultaneously in some areas, and that this situation will require a maximum effort on the part of the harvesting teams.

As of July 27, Soviet harvesters had cut 35 million hectares, an increase of over 12 million hectares from the level reported a week earlier. Much of the Soviet grain crop is windrowed and picked up and threshed after it ripens. Threshing had been carried out on 28.7 million hectares, also up sharply from the preceding week's level. In recent years, this pace has only been exceeded by the early harvesting pace for the drought-ravaged 1975 harvest.

The SOVIET UNION has returned to the U.S. grain market after an extended absence. During July 24-31, the Soviets bought 1,050,000 tons of corn for shipment after Oct. 1, 1981.

ARGENTINA'S exports of grain and oilseeds for May and June reached new highs of 3 and 3.5 million tons, respectively, topping last year's record levels of 2.65 and 2.96 for the same period. The level of shipments for June is remarkable in that it matches the 3.5-million ton theoretical maximum capacity thought to be obtainable only under ideal weather. Grain Board officials now indicate that the maximum capacity for Argentine grain ports is closer to 4 million tons per month under ideal conditions.

Board officials anticipate that grain exports in July will probably approach only 3 million tons because of administrative problems, elimination of overtime in the Buenos Aires port, loading delays caused by rain in the first half of the month and the July 9 national holiday.

-more-

MARY FRANCES CHUGG, Editor. Tel (202) 447-2280. Additional copies may be obtained from the FAS Information Services Staff. Room 5918-South, Washington, D.C. 20250. Tel. (202) 447-7937.

Argentina's exports to the Soviet Union also have been moving at record levels, amounting to approximately 80 percent of the total flow. The data for these exports by marketing year through June 1981 are as follows, with the preceeding season in parentheses.

	<u>To USSR</u>	<u>Total exports</u>	<u>Estimate for season</u>
Wheat (Dec-Nov)	(1.9) 2.4	(3.9) 3.1	(4.8) 3.9
Corn (March-Feb)	(1.7) 3.7	(1.8) 4.3	(3.4) 9.4
Sorghum (Mar-Feb)	(0.6) 2.2	(0.6) 2.7	(1.5) 4.3

The ARGENTINE GRAIN BOARD, effective July 16, increased reference prices--the prices at which the Board agrees to accept all offers--to the equivalent of US \$111 per ton for corn and US \$103 per ton for sorghum. This represents a 15-percent increase for corn and a 20-percent increase for sorghum over the previously established levels.

The INTERNATIONAL MONETARY FUND has established a food financing fund. This fund is designed to compensate for unexpected increases in the value of grain imports over historical levels arising from production shortfalls or rising grain prices. The average value of a country's grain imports will be based on a moving five-year average. The fund's financial terms call for a three-year grace period, with interest at 6 to 8 percent and repayment in the fourth and fifth years.

According to official sources, the fund is now in operation and country requests are being finalized. Morocco and India, reportedly, are among the countries being considered as initial loan recipients.

POLAND'S 1981 grain crop is forecast currently at about 20 million tons, or more than 2 million tons above the average output of 17.8 million tons for the previous two years. This favorable outturn is expected despite poor fall sowing conditions, reduced acreage and shortages of fertilizer and other agricultural inputs.

The potato crop--an important livestock feed in Poland--is expected to be substantially larger than last year, or about 45 million tons, compared with only 26 million tons harvested in 1980. The larger crops and reduced livestock inventories will help alleviate some of the gap between domestic food/feed production and consumption needs.

-more-

According to current estimates, Poland could still use 8 to 9 million tons of grain imports during 1981/82. Because of its poor foreign exchange position, however, it is unlikely that Poland will achieve this import level. The current USDA forecasts calls for Polish imports of around 7 million tons of grain during 1981/82 (July-June), assuming credit is made available for these purchases. This compares with an estimated 7.8 million tons of grain imported from all sources during 1980/81.

USDA recently announced that Poland would be provided long-term low-interest credits for the purchase of about 400,000 tons of U.S. corn. This corn, supplied under the Public Law 480 Program, would be delivered during August-September and would be used principally for broiler feed.

DAIRY, LIVESTOCK AND POULTRY

IN AUSTRALIA, cattle herd liquidation is expected to continue this year with only slight herd growth forecast for 1982. This is the result of drought which began in late 1979 and has extended into 1981, combined with weak beef prices in the United States.

From 1976 to 1981 cattle numbers fell more than 25 percent to 24.8 million. Adult cattle slaughter in 1981 is expected to be down 40 percent to 6.4 million head, compared with the 10.6 million slaughtered in 1977 when the herd liquidation started.

In contrast with the cattle situation, sheep numbers are expected to begin to recover in 1982 because of anticipated strong world demand for wool and mutton.

In the MALAYSIAN PENINSULA, another outbreak of foot and mouth disease (FMD) has occurred in the state of Selangor, according to Malaysia's Department of Veterinary Services. Malaysia has suffered from repeated outbreaks of FMD since 1973 and the disease reached epidemic proportions in 1978.

Although authorities are presently destroying animals known to have FMD, vaccination and isolation programs also are being considered. As a result of the outbreak, Malaysia is expected to boost its imports of cattle and beef, primarily from Australia and New Zealand.

COTTON

The EUROPEAN COMMUNITY (EC) Commission has approved the general rules for the cotton system required by Greek accession to the EC. These set the 1981/82 seed cotton guide price at 76 European Currency Units (ECU) per 100 kilograms and the production level for which aid would be offered at 430,000 tons. If the world market price falls below the guide price, the Commission will pay the difference to producers.

-more-

Prior to Greek entrance, the EC produced very negligible amounts of cotton and a cotton system was not needed. Greece, however, is expected to produce approximately 330,000 tons of seed cotton in the 1981/82 crop year and the new system will allow the Commission to replace the Greek government's price support program. No problems are anticipated with the new system since Greek cotton production has been falling steadily in recent years. If this year's EC price and production level are an indication of the future, Greek production should continue to fall well short of the production aid level.

TOBACCO

In POLAND, cigarette production was down 14.4 percent during the first five months (January-May) of 1981 from the same period in 1980, according to a recent report. Shortages of cigarette paper, glue, tinfoil and paper for packages, lack of spare parts to repair machinery and shorter work weeks are given as major reasons. There are no shortages of tobacco. Reportedly, people are standing in lines to buy the short supply of cigarettes in some regions. Cigarette blends manufactured under U.S. labels have disappeared from the market.

Cigarette production in 1980 was at a record level of 93.4 billion pieces, an increase of 2.2 percent over the 1979 level. Declining production, combined with recently introduced health warnings on cigarette packages and anticipated hikes in retail prices are expected to cause a sharp decline in cigarette consumption during 1981.

HORTICULTURAL AND TROPICAL PRODUCTS

In BRAZIL, a cold air mass on July 20-21 brought freezing temperatures and frost to the major coffee producing regions in the states of Parana, Sao Paulo, and Minas Gerais. Damage to the 1981/82 crop, estimated at 31 to 33 million bags of 60 kilograms each is expected to be minimal as about 75 percent of the crop had already been harvested before the frost. Some quality deterioration, however, is expected to coffee beans still on trees.

Initial assessments of damage released by the Brazilian Coffee Institute (IBC) on July 28 place losses at around 45 percent of the 1982 pre-frost production potential of 25 to 28 million bags. Reportedly, the recent frost damaged coffee leaves, tips of branches and buds of coffee trees over a wide area. This type of damage reduced the blooming potential, resulting in a lower capacity of the trees to set and hold cherries. Owing to the physiology of coffee trees, the severity of frost damage of leaves and limbs is not evident for several weeks.

To date, USDA has made no assessment of losses, but plans an extensive field survey of Brazil's coffee producing regions in early August before issuing a statement on the situation.

-more-

BRAZIL's production of crude mint oil reportedly is declining rapidly because costs are rising faster than prices. An additional reason for the decrease is that new lands for growing mint are becoming scarce in Brazil and production has moved westward into Paraguay.

Brazil's cornmint oil output totaled only 300 tons in 1980, compared with 700 tons in 1979. However, with imports of crude oil from Paraguay for rectification in Brazil, production of rectified cornmint oil has declined less rapidly than that of crude oil, allowing domestic consumption to reach 325 tons in 1980. Exports declined from 671 tons in 1979 to 480 tons in 1980.

In 1981, crude cornmint oil production is expected to total only 200 tons and imports to reach 1,150 tons. Rectified oil output will be an estimated 700 tons, with 350 tons for domestic use and a like amount for export.

PARAGUAY's mint oil exports (cornmint oil) reached a peak in 1979 and since then have declined gradually. Higher production costs and competition from other crops such as soybeans and cotton, which have offered farmers better returns, are cited as causes for the decline.

Since little mint oil is consumed domestically, exports tend to equal production and have been as follows (in tons) in recent years: 1977, 1,169; 1978, 1,312; 1979, 1,352; and 1980, 1,100. In 1981, exports are expected to decline to 1,000 tons, most of which is expected to be distilled oil moving across the border into Brazil for rectification.

In MEXICO, the National Coffee Institute (INMECAFE) confirmed on July 15 the existence of coffee Roya or rust in the State of Chiapas where much of that country's coffee is grown. According to press reports, only one infected tree has been discovered. Mexico has anticipated the entry of rust from Guatemala for some time and preventive measures, including fumigators, insecticides and mobile water reservoirs are already in place to fight the disease.

OILSEEDS AND PRODUCTS

BRAZIL's exports of soybeans and products during January-July 1981 registered sharp gains from the level of a year earlier. The major share of the increase reflected larger movements of soybeans and meal to the Soviet Union and a huge gain in shipments of oil to India. Brazil's exports in June alone gained sharply from the same month in 1980. These included 262,700 tons of soybeans and 653,000 tons of meal to the European Community and 102,500 tons of oil to India. Shipments to these countries in June accounted for more than half of Brazil's total exports of soybeans and products.

-more-

According to preliminary shipping statistics, the country of destination and tonnage, with 1980 for comparison, are as follows:

	<u>January-June</u>	
	<u>1980</u>	<u>1981</u>
Soybeans		
USSR	--	483.5
EC	280.5	74.3
Spain	154.8	151.1
Mexico	0	90.1
Others	38.4	49.8
Total	473.7	848.8
Soybean meal		
EC	2,193.4	2,340.0
USSR	0	277.3
Hungary	28.1	175.5
Czechoslovakia	35.7	232.3
Phillipines	76.2	93.0
Indonesia	41.6	69.7
Iran	97.6	62.5
Poland	332.4	264.4
Others	315.1	293.9
Total	3,120.1	3,808.6
Soybean oil		
India	28.6	381.6
USSR	32.0	58.2
PRC	0	9.8
Iran	119.8	41.6
Pakistan	29.3	37.4
Poland	7.7	14.4
Others	56.6	81.0
Total	274.0	624.2

U.S. EXPORTS of SOYBEANS and MEAL, in addition to a sharp gain in foreign competition, are being adversely affected by higher meal prices and especially by higher meal prices in relation to corn in the EC.

During June, the EC price in terms of EC units of account (ECU) was 52 percent above that of a year earlier, while soybean meal prices in the United States increased by only 24 percent.

A substantial cut in the variable levy on corn has been brought about by the increase in the value of the dollar during the last few months. In June 1981, EC corn prices, including the variable levy, in terms of ECU's average only 5 percent above a year earlier while corn prices received by U.S. producers during the same period rose 27 percent. The EC soybean meal/corn price ratio in terms of ECU's was 44 percent above that of a year ago, while in the United States the meal/corn price ratio declined slightly during the same period.

-more-

The net result of the increase in the value of the U.S. dollar in relation to foreign currencies and the sharp increase in the meal/corn price ratio is a lower than expected soybean meal consumption in the EC countries this season.

Aggregated 1980/81 EC soybean meal consumption is currently estimated at 15.14 million tons--580,000 tons below the September 1980 estimate and virtually unchanged from the 1979/80 volume. During the past decade, EC consumption of soybean meal has trended upward by about 800,000, tons per year. Foreign consumption of soybean meal outside the EC in 1980/81 is estimated to be up 3.2 percent from the 1979/80 volume.

To the extent that EC soybean meal consumption also has been adversely impacted by recent economic difficulties and reduced real incomes, meal consumption growth prospects for these countries will continue dim in 1981/82. Preliminary 1981/82 EC soybean meal consumption forecast is 15.2 million tons--only 0.6 percent or 100,000 tons above the 1980/81 estimate. Foreign consumption of soybean meal outside the EC in 1981/82 is forecast to increase by 5.5 percent.

The price data, with comparisons, are as follows:

		<u>June</u> <u>1980</u>	<u>June</u> <u>1981</u>	<u>Percentage</u> <u>change</u>
<u>U.S. Prices</u>				
Soybeans <u>1/</u>	U.S. dol/ton	217.2	256.8	+18.2
Soybean meal <u>2/</u>	U.S. dol/ton	178.0	220.8	+24.0
Corn <u>1/</u>	U.S. dol/ton	98.0	124.4	+26.9
<u>European prices</u>				
Soybeans <u>3/</u>	U.S. dol/ton	257.8	289.8	+12.4
"	ECU/ton	181.2	271.1	+49.6
Soymeal <u>4/</u>	U.S. dol/ton	215.5	245.4	+13.9
"	ECU/ton	151.4	229.6	+51.7
Corn <u>5/</u>	ECU/ton	196.1	206.5	+5.3
<u>Soymeal/corn price ratios</u>				
In U.S.	U.S. dol/ton	1.82	1.77	-2.7
In EC	ECU per ton	.77	1.11	+44.2

1/ Average producer price.

2/ Bulk 44 percent, Decatur, Ill.

3/ U.S. no. 2 yellow, c.i.f. European ports

4/ U.S. 44 percent c.i.f. European ports.

5/ U.S. no. 3 Board Free Rotterdam, levy paid.

-more-

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE



AGR 101
FIRST CLASS

Rotterdam Prices and E.C. Import Levies:

Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Aug. 4, 1981	Change from previous week	A year ago
	\$ per m. ton	\$ per bu.	¢ per bu.
Wheat			
Canadian No. 1 CWRS-13.5%.....	238.00	6.48	-08
U.S. No. 2 DNS/NS: 14%.....	191.50	5.21	-07
U.S. No. 2 DHW/HW: 13.5%.....	199.50	5.43	-01
U.S. No. 2 S.R.W.....	159.25	4.33	-05
U.S. No. 3 H.A.D.....	186.00	5.06	-19
Canadian No. 1 A: Durum.....	<u>1/</u>	<u>1/</u>	<u>1/</u>
Feed grains:			
U.S. No. 3 Yellow Corn.....	151.50	3.85	+07
U.S. No. 2 Sorghum <u>2/</u>	160.00	4.06	0
Feed Barley <u>3/</u>	138.00	3.00	+13
Soybeans:			
U.S. No. 2 Yellow.....	294.50	8.01	+01
Argentine 4/.....	292.00	7.95	+08
U.S. 44% Soybean Meal (M.T.)..	249.00	--	+4.00 <u>5/</u>
EC Import Levies			
Wheat <u>6/</u>	77.30	2.10	-16
Barley.....	55.00	1.20	-14
Corn.....	55.60	1.41	-19
Sorghum.....	49.10	1.25	-16

1/ Not available.

2/ Optional delivery: U.S. or Argentine Granifero Sorghum.

3/ Optional delivery: U.S. or Canadian Feed Barley

4/ Optional delivery: Brazil yellow.

5/ Dollars per metric ton.

6/ Durum has a special levy.

Note: Basis August delivery.